

Realty Trust Review

November 12, 1973

VOL. IV, No. 21

SHORT-TERM MORTGAGE TRUSTS--VALUE GUIDE TO ISSUES REVIEWED

	Port. Yield	--6 Mo. Last	Port.Chng. E Next	Lever. Ratio	Price	Yield	Div. Reinv.	Page
Mortgage banker-sponsorship								
Atico Mtg.	12.39%	15%	13%	0.61	\$17.00	11.1%	No	3
Citizens Mtg.	12.90	28	30	1.30	16.50	10.4	No	3
Colwell Mtg.	13.76	21	20	1.26	28.00	11.4	No	8
First Cont.	13.78	34	36-38	0.90	11.13	10.8	No	3
Galbreath MI	10.61	- 5	- 2	1.03	14.00	5.7	No	6
Guardian Mtg.	12.93	32	22	2.61	34.38	11.2	No	6
Hamilton Inv.	13.15	10	15	1.68	17.13	12.1	Yes	4
Heitman Mtg.	13.42	39	20	2.65	13.13	11.9	No	8
Justice Mtg.	13.51	50	30	1.13	24.13	12.3	No	6
Larwin Mtg.	12.28	20	- 5	1.64	22.63	11.5	No	4
Lomas & Net.MI	12.50	3	12-14	2.03	41.63	9.4	No	4
Midland Mtg.	13.15	18	18	1.29	14.25	12.1	No	5
National MF	13.40	16	41	1.41	11.75	12.6	Yes	7
No.Amer.Mtg.	11.97	21	10	1.31	27.88	9.2	No	5
Texas First	14.03	7	0	2.36	18.50	12.1	No	7
Unionamerica	12.70	29	16	2.10	20.75	11.2	No	8
AVERAGES	12.91%	21%	17%	1.58		10.9%		

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing.

NO-No operations. NE-No estimate.

Trusts making dividend reinvestment plans available to shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters. Ranges for share prices and dividend yields are shown for all four quarters to facilitate comparison with current yields and prices. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim period do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

Beginning this issue graphs showing the trend of price/earnings ratios for each trust (dash line) and how this P/E stands relative to the average for all short-term mortgage trusts (solid line) are shown for each trust. The graphs cover monthly REALTY TRUST REVIEW observations since January 1972. These graphs reveal that the relative P/E ranking of most mortgage banker-sponsored short-term trusts has been rising, indicating wider investment recognition.

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PUBLISHED TWICE MONTHLY ON THE SECOND AND FOURTH FRIDAYS SUBSCRIPTION \$84 ANNUALLY SINGLE COPY \$5 GROUP RATES ON REQUEST

MORTGAGE BANKER SPONSORED SHORT-TERM TRUSTS: THE FOCUS IS ON PROBLEM LOANS

THREE KEY RATIOS

The mortgage banker-sponsored trusts investing primarily in short-term construction loans cannot be viewed without a thorough consideration of problem loans. Concern among investors over problem loans has mounted in recent weeks, culminating Nov. 2 when two NYSE-listed trusts, *Cameron-Brown Investment Group* and *Fidelity Mortgage Investors*, declined 20.5% and 16.6% respectively in a single day's trading. Both declined after Barron's and The Wall Street Journal carried to their wide audiences news of problem loans serious enough to cause major sharp earnings declines (RTR subscribers learned via their Oct. 15 issue of the Fidelity problems and of some earlier difficulties at CBIG). These events follow sharp price declines by *Galbreath Mortgage* and *Mortgage Trust of America* following announcement of problem loan situations which led to major earnings and/or dividend cuts.

Unsettling as these events are, it's vital that REIT investors place present events in perspective. In the past six months, REALTY TRUST REVIEW has reviewed 103 major trusts and reported problem loans for 48 of them--or 47%

of the trusts reviewed. Expectably, the incidence is highest--62%--among the 52 short-term mortgage trusts and lowest--26%--among equity-type trusts. Problem loans have been very serious for five short-term trusts, the above-mentioned four plus *Associated Mortgage*.

Several conclusions are made: 1) Existence of a problem loan is not in itself reason for selling a REIT or to prevent investing in REITs. Problem loans (see definition under the KEY RATIO table) vary widely: some are bad investments but most are sound loans to poor borrowers. Moreover, the manner of handling public announcement and accounting treatment of problem loans has varied enormously, with widely differing impact on share prices. Two of the above trusts have taken the "big bath" of making large special additions to their loss reserves and trimming earnings sharply. The two: *Cameron-Brown* which allocated \$0.42 to loss reserves and reported EPS of \$0.43/sh., and *Galbreath Mtg.*, which reported EPS of \$0.20 after \$0.24/sh. special loss reserves. Both trusts maintain there's good chance these non-recurring provisions won't be repeated in near-term quarters, although earnings will be reduced to the extent that problem loans reduce interest income. Both trusts could have recovery potential, although recovery has been slow for most trusts after such incidents.

2. The materiality of problem loans is paramount. As a general rule most trusts have absorbed 3%-5% of portfolio in problem loans without major earnings damage. Problem loan percentages for the four casualties: *Cameron-Brown*, 6.0%; *Galbreath*, 11.9% (see p.6); *Fidelity Mortgage*, 10.9%; *Mortgage Trust of America*, 10.0%. Loss of principal is expected on only one or two of the 45 loans involved but workout time is required. FYI, we signalled *Fidelity's* impending decline a month ago with prices at \$25 and tabbed CBIG as "speculative."

3. Investment strategy is to hold a portfolio of strong REITs. We mean a minimum three REITs to spread market and problem loan risks. For most investors the largest REITs with longest track records are the best course. We will continue to specify trusts fitting these measures and a starter list is included on p.2 of the Sept. 30 issue. Among mortgage-banker trusts, *Lomas & Nettleton*, *North American*, *First Continental*, *Midland* and *Heitman* are favored.

In other events, *North American Mtg.* has agreed to offer a convertible preferred for *Associated Mtg.* (see p.5) and the tortuous *DeBoer Assoc.* problem (see RTR, May 29) appears resolved with closing of a four-party agreement in which primary lenders (*First National City Bank*, *Ford Foundation*, *First Wisconsin Bank* and *First Wisconsin Mtg.*) will buy certain *DeBoer* land and provide cash to cure delinquencies of other *DeBoer* loans and leases, mainly held by *Property Capital*, *ICM Realty* and *C.I. Mortgage*. *C.I.* previously had \$12.0 million of long-term loans on completed *DeBoer* projects assumed by a participating life company.

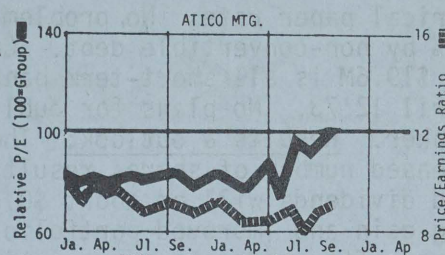
	Loss Res. #	Exp. Ratio*	Problem Loans #
Atico Mtg.	0.74%	1.67%	3.6%
Citizens Mtg.	0.17	1.39	4.2
Colwell Mtg.	0.34	1.75	0.5
First Cont.	0.24	1.58	None
Galbreath MI	1.17	1.30	11.9
Guardian Mtg.	0.33	1.47	3.0
Hamilton Inv.	0.15	1.43	None
Heitman Mtg.	0.25	1.36	0.6
Justice Mtg.	0.25	1.67	None
Larwin Mtg.	0.30	1.75	4.5
Lomas & Net. MI	0.72	1.58	0.6
Midland Mtg.	0.45	1.28	3.6
National MF	0.16	1.42	3.9
No. Amer. Mtg.	0.65	0.75	3.0
Texas First	0.59	1.76	3.7
Unionamerica	0.53	1.66	1.3
AVG.	0.44%	1.49%	2.8%

#Based on gross portfolio. *Avg. of last two qtrs. Problems loans are total of foreclosed property and non-earning investments on which interest or rent is not being accrued.

ATICO MORTGAGE INVESTORS (17½-NYSE-ACO) FY Oct. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS	Prim.	Div.	-Price Range-
10/72	\$86.3M	12.28%	12.23%	\$0.61	\$0.56	\$22.25-20.13	
1/73	80.2	12.74	11.47	0.58	0.56	22.75-21.50	
4/73	80.7	12.81	10.64	0.50	0.47	23.00-19.25	
7/73	91.9	12.39	10.05	0.48	0.47	20.88-14.75	

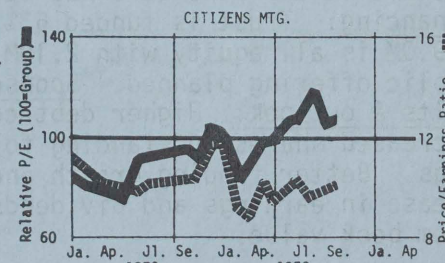
Portfolio dynamics: Investments increased 15% the past six months and mgmt. expects portfolio to reach \$104M by Jan.'74, a 13% gain. Portfolio is 65% constr.; 17% devel.; 6% intermediate; 4% land; 4% junior; 3% wrap-around; 1% sale leasebacks. Investments are 65-70% located in Fla. with the remainder in 13 other states. About 75-80% of loans are tied to prime and trust is beginning to tie new loans to the higher of prime or the commercial paper rate. Trust has 4 loans amounting to \$3.31M, or 3.6% of portfolio, in foreclosure. **Financing:** Trust is funded 62% by capital and 38% by non-convertible debt. Capital of \$63.4M is 70% in equity with 2.70M shares and 30% in 2 convertible issues. Debt of \$38.9M is 64% in a seven year term loan and 36% in short-term bank loans. No public financing planned. **Sponsor:** Pan American Bancshares, holding company. **Results & outlook:** Increase in shares outstanding, lower commitment fee income and higher debt costs were responsible for lower earnings and dividend results in the past six months. Drop in portfolio yield will have to be reversed before moderate funding growth and better debt costs can reverse earnings trend. Shares selling at mid-point of historical yield range have some speculative attraction. (VCK)



CITIZENS MTG. INVESTMENT TRUST (16 5/8-ASE-CZM) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS	Prim.	Div.	-Price Range-
12/72	\$58.6M	11.38%	14.01%	\$0.49	\$0.40	\$17.88-14.50	
3/73	65.9	10.65	13.47	0.43	0.43	18.75-16.75	
6/73	73.9	10.93	11.43	0.41	0.43	18.00-15.63	
9/73	84.1	12.90	12.42	0.44	0.43	17.13-15.37	

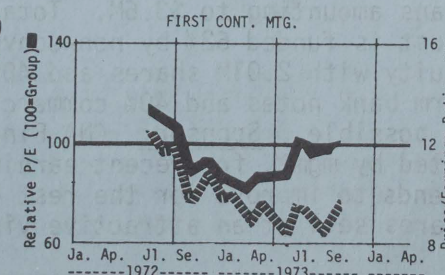
Portfolio dynamics: Investments in the past 6 months increased 28% and we estimate a 30% gain in the next six months. Commitments are 65% constr., 18% lend/devel.; 5% intermediate; 5% standby; 3% land purchase-leasebacks; 2% second mtg.; 2% wrap-around and gap. Some 72% of closed loans are tied to prime and all new loans are being tied to prime. Trust has one problem loan amounting to \$3.5M or 4.2% of portfolio. **Financing:** Trust is funded 57% non-convertible debt and 43% capital. Capital of \$40.1M is 50% in equity with 1.42M and 50% in 8½% senior subor. notes. Debt amounts to \$52.3M with 77% in short-term bank loans and 23% commercial paper. No public financing expected. Trust issued \$20M of 8½% senior subor. notes in Apr.'73. **Sponsor:** Citizens Mtg. Corp., which is being acquired by Manufacturers Hanover Corp. of New York. **Results & outlook:** Good growth in fundings and improved portfolio yield were able to overcome higher debt costs to produce modest earnings gains. The financial muscle of Manufacturers Hanover can only benefit the trust. Continued funding growth and good portfolio yield should continue moderate earnings and dividend gains. Shares carry an attractive yield and sell at a premium over book. (VCK)



FIRST CONTINENTAL R.E. INV. TRUST (11½--OTC-FCRES) FY Feb. 28/29

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS	Prim.	Div.	-Price Range-
11/72	\$27.9M	11.34%	14.24%	\$0.34	\$0.32	\$13.63-10.38	
2/73	28.4	11.38	15.09	0.35	0.35	14.38-11.75	
5/73	33.5	11.62	11.54	0.29	0.21	13.00-11.00	
8/73	38.3	13.78	11.60	0.30	0.30	12.25- 9.63	

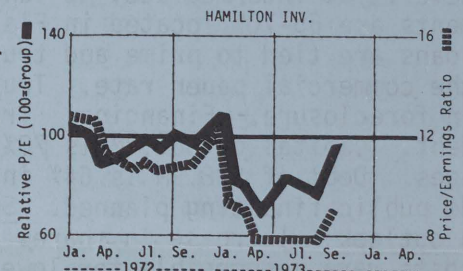
Portfolio dynamics: Fundings rose 34% the last six months and mgmt. expects portfolio to be \$52-\$53M by fiscal year-end Feb.'74, a 36-38% gain. Latest portfolio is 49% land devel.; 45% constr.; 6% other. Investments are presently all located in Texas (Houston, Dallas-Fort Worth areas mainly) but trust is expanding to Oklahoma and Colorado. All loans are tied to prime and new loans are being tied to the higher of prime or the com-



merical paper rate. No problem loans. Financing: Trust is funded 53% by capital and 47% by non-convertible debt. Capital of \$21.9M is all equity with 2.11M shares. Debt of \$19.6M is all short-term bank loans. Trust offered 986T shares at \$12.25 per share April 12'73. No plans for public financing. Sponsor: First Continental Corp., mtg. banker. Results & outlook: The last 2 qtr. dividend and earnings were hurt by the increased number of shares resulting from the Apr. offering. Mgmt. estimates Nov. earnings and dividends will be about \$0.34 sh. which looks attainable based on the projected funding gain and improved portfolio yield. Shares selling at mid-point of historical yield range offer moderate appreciation potential. (VCK)

HAMILTON INVESTMENT TRUST (18-OTC-HAMTS) FY Dec. 31

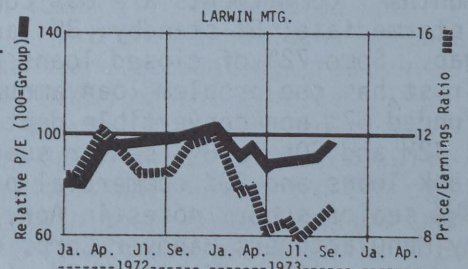
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
12/72	\$77.7M	10.26%	10.85%	\$0.51	\$0.50	\$20.00-17.00
3/73	83.0	10.83	12.03	0.56	0.52	20.75-17.63
6/73	79.0	12.03	13.40	0.62	0.52	18.63-16.13
9/73	91.6	13.15	11.29	0.53	0.52	19.00-16.25



Portfolio dynamics: Investments increased 10% during the last six months and we estimate fundings will grow by 15% over the next six months. Portfolio is 73% constr.; 11% interim; 14% land & land devel.; 2% junior, gap and wrap-around. Investments are located in 18 states with concentrations in N.J., Fla., Okla. and Calif. About 87% of loans are tied to prime and trust is tying new loans to prime. A \$1.5M loan reported in foreclosure in the June qtr. has been sold at no loss and trust has no other problem loans. Financing: Trust is funded 63% by non-convertible debt and 37% by capital. Capital of \$39.0M is all equity with 2.10M shares. Debt of \$65.4M is all short-term bank loans. No public offering planned. Sponsors: Jersey Mtg. Co.; Food Fair Stores, Inc., Amterre. Results & outlook: Higher debt costs and slower than estimated funding growth coupled with increased shares outstanding following 650T sh. offering in May led to the decline in earnings. Better funding growth and an improving portfolio yield should produce modest increase in earnings and dividends. Shares sell at an attractive yield and a slight discount from book value. (VCK)

LARWIN MORTGAGE INVESTORS (23 1/8--NYSE-LWN) FY June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
12/72	\$118.9M	11.15%	14.83%	\$0.69	\$0.69	\$32.75-26.63
3/73	124.9	10.82	14.73	0.69	0.69	32.75-26.13
6/73	135.9	11.33	14.31	0.67	0.67	28.00-21.75
9/73	150.2	12.28	13.85	0.65	0.65	24.25-20.00



Portfolio dynamics: Fundings increased 20% the past 6 months but heavy repayment schedules lead mgmt to expect portfolio to be \$140-145M in Mar. '74, down 3-7%. Current portfolio is 73% constr.; 11% standing; 9% land., devel., & land devel.; 3% other; 2% property acquired thru foreclosure; 2% junior and wrap-around. Investments are located in 25 states, Canada, England and P.R. Some 58% of loans are tied to prime and new loans are being tied to prime. In addition to the \$3.2M of foreclosed property LWN has 2 problem loans amounting to \$3.6M. Total problem investments are 4.5% of portfolio. Financing: Trust is funded 62% by non-convertible debt and 38% by capital. Capital of \$62.6M is 60% equity with 2.01M shares and 40% of 6 3/4% subor. debent. Debt of \$102.5M is 60% short-term bank notes and 40% commercial paper. A public financing, probably senior subor. debt., is possible. Sponsor: CNA Financial Corp. Results & outlook: High interest rates are cited by mgmt. for recent earnings and dividend declines. Mgmt. expects earnings and dividends to improve for the rest of fiscal 1974, largely because of a widening spread. The shares sell at an attractive yield. (VCK)

LOMAS & NETTLETON MORTGAGE INVESTORS (44 1/4--NYSE-LOM) FY June 30

Portfolio dynamics: In the past six months investments increased only 3% reflecting sale of FHA-VA loans and reinvestment in constr. loans. Mgmt. expects portfolio to reach

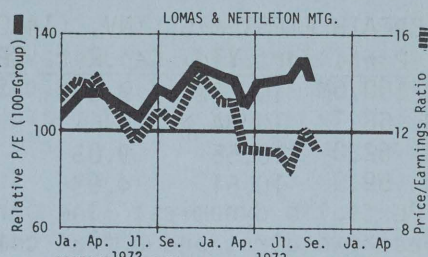
LOMAS & NETTLETON MTG. INVESTORS (CONTINUED)

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
12/72	\$320.5M	9.87%	11.55%	\$0.92	\$0.92	\$53.75-43.50
3/73	340.4	9.92	11.39	0.94	0.94	52.75-45.00
6/73	340.5	10.90	11.56	0.96	0.96	47.50-40.00
9/73	349.4	12.50	11.74	0.98	0.98	46.75-36.00

\$390-\$400M by Mar. '74, a 12-14% gain. Current investments are 68% constr.; 27% acq. & devel.; 4% second mtg.; 1% property. Investments are located in 41 states and Wash.

D.C. with a major concentration in Texas. Presently some 40% of loans are tied to prime and 2% to the 90 day commercial paper rate. Trust is tying new loans to the higher of prime or the commercial paper rate. Problem loans amount to \$2.29M, or 0.6% of portfolio.

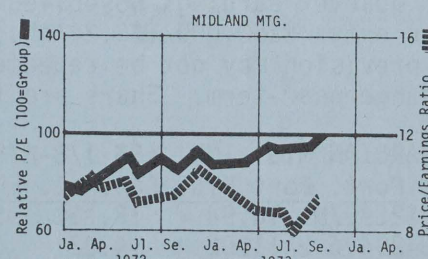
Financing: Trust is funded 67% by non-convertible debt and 33% by capital. Capital of \$123.0M is all equity with 3.70M shares. Debt of \$250.3M is 55% short-term bank loans; 33% commercial paper; 12% term loan. No public financing seen. Sponsor: Lomas & Nettleton Financial Corp., largest U.S. mtg. banker. Results & outlook: Rising portfolio yield from sale of lower-yielding VA & FHA loans enabled trust to overcome rising debt costs and produce modest earnings and dividend gains. Increased funding growth in near term should enable earnings and dividends to continue gains. Trust appears well-managed and shares have longer-term attraction. (VCK)



MIDLAND MORTGAGE INVESTORS (15 1/8-NYSE-MMT) FY June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
12/72	\$89.2M	10.58%	12.50%	\$0.45	\$0.45	\$18.50-15.38
3/73	94.5	10.76	12.39	0.44	0.43	18.38-16.25
6/73	107.2	11.41	13.02	0.44	0.43	16.88-14.50
9/73	111.3	13.15	12.65	0.43	0.43	16.38-13.75

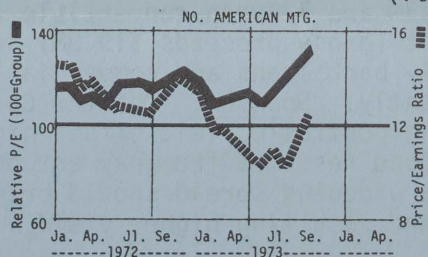
Portfolio dynamics: Fundings increased 18% last 6 mon. and mgmt. estimates about \$10M per qtr. gains near-term, or a gain of 18%. Fundings in the last 3 months were offset by repayments and this will also affect total over the next 3 months. Portfolio is 87% constr.; 9% devel.; 3% second mtg.; 1% land purchase leaseback & other. Investments are located in 18 states with about 30% in Oklahoma. Some 75% of loans are tied to prime and new loans are being tied to prime. Trust has problem loans amounting to \$4.0M or 3.6% of portfolio. Financing: Trust is funded 56% by non-convertible debt and 44% by capital. Capital of \$54.4M is 52% in equity with 2.26M shares; 37% in 8% senior subor. notes; 11% in 7% convt. subor. debent. Debt amounts to \$69.9M with 58% in short-term bank loans and 42% in commercial paper. Sponsor: Midland Mtg. Co., Oklahoma City. Results & outlook: Recent earnings and dividends were affected by high debt costs and slower funding gains. Earnings and dividends near term should have modest gains as debt costs improve and funding growth picks up. Shares selling at an attractive yield have moderate gain potential. (VCK)



NO. AMERICAN MTG. INV. (27 7/8-NYSE-NAM) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
12/72	\$177.1M	11.42%	16.98%	\$0.61	\$0.64	\$35.50-30.13
3/73	175.6	11.42	15.93	0.58	0.61	35.00-27.88
6/73	206.6	11.97	16.15	0.59	0.62	30.63-23.25
9/73	NR	NR	NR	0.61	0.64	29.50-24.50

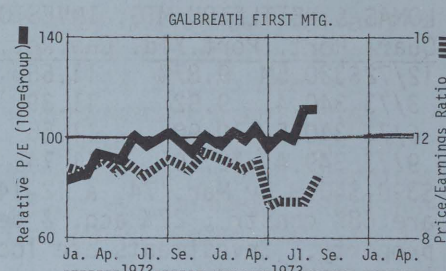
Portfolio dynamics: Investments gained about 21% over the past two qtrs. and trust is concentrating on committing to deals at current high yields but low near-term funding. Thus fundings may make little progress for next 6 mon. Trust specializes in urban commercial construction lending. Acquired properties of \$6.48M (3% of holdings) include land near Washington and apartments in Orange Co., Cal. and Houston; no principal loss is expected on ultimate resale. A \$9M California apartment has been acquired and is being resold at a profit. Financing: Funds of \$217.1M are 57% non-convertible debt, mainly commercial paper, and 43% capital. Liability management is strong and no financing expected near-term. Sponsor: Sonnenblick-Goldman, New York based national mortgage broker. Results & outlook: Portfolio yield gain has offset rising money costs, allowing resumption of dividend gains in the Sept. qtr. Trust has offered to exchange 1 sh. of \$0.30 cumulative preferred, convertible into one-eighth NAM share, for 1 sh. of Associated Mtg. (see p.2). Offer is contingent upon many approvals. Generation and liability management sound and problem loans have been well controlled; P/E premium has been increasing (see graph) and shares are for longer-term investment. (KDC)



GALBREATH FIRST MTG. INV. (14-OTC-GALBS) FY Feb. 28/29

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
12/72	\$60.6M	10.15%	9.83%	\$0.62	\$0.62	\$30.75-28.13
3/73	63.1	10.34	9.61	0.61	0.60	29.88-25.50
6/73	62.0	10.56	9.03	0.57	0.67	27.50-21.75
9/73	59.9	10.61	4.08	0.20	0.20	22.00-20.75

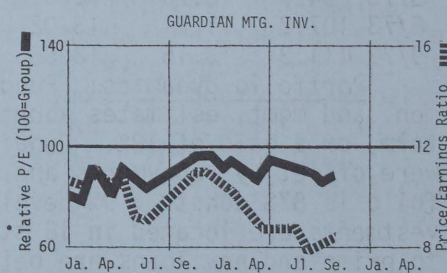
Portfolio dynamics: The portfolio declined 5% during the past two qtrs. and a flat commitment picture indicates stable to down fundings over the next 6 months during the transition to a new adviser. Holdings are 74% constr. loans, 17.4% long-term conventionals and FHA-VA, 4% land and devel. loans, and 1.4% foreclosed property. During Sept. trust began foreclosure on four projects (a HUD turnkey project in Philadelphia, three condominiums in Ohio) with \$4.2M value and on Oct. 1 ceased accrual of interest on a fifth project for \$1.4M, although foreclosure is not begun. Interest is being accrued on one of the foreclosed loans for \$0.46M. Overall 11.9% of holdings are non-earning or in foreclosure. **Financing:** Funds of \$63.8M are 51% bank loans and 49% capital, primarily shareholders' equity plus a convertible. No financing is expected. **Sponsor:** Galbreath Mtg. Co., a mortgage banker, will turn reins over to a new subsidiary of Nationwide Corp., 52nd largest U.S. life insurance holding co., most likely on Jan. 1. **Recent results and outlook:** Sept. quarter earnings nosedived 64% because of non-earning assets, higher interest costs and an extra \$250,000 (\$0.24/sh.) addition to the reserve for losses. Although this special loss provision may not be repeated, non-earning assets will hold earnings in the \$0.40-\$0.50/sh. range near-term. Share are for speculative recovery. (KDC)



GUARDIAN MTG. INV. (35 1/8-NYSE-GMI) FY Feb. 28/29

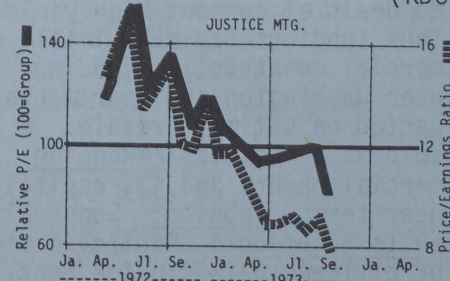
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
11/72	\$239.7M	10.94	13.72%	\$1.07	\$1.00	\$48.75-39.88
3/73	294.6	11.02	14.02	1.07	1.02	46.88-40.75
5/73	342.9	11.48	14.81	1.10	1.04	42.38-37.00
8/73	390.0	12.93	13.39	1.13	0.96	38.88-33.00

Portfolio dynamics: Holdings rose 32% the past two qtrs. and a \$336M commitment backlog means the \$475M funding goal by fiscal year end in Feb. '74, up 22%, is on target. A majority of loans carries rates tied to the prime rate with floor to prevent erosion should the prime rate plunge even more. This has provided a rapid portfolio yield gain. Holdings are 64% first mtg. constr. loans, 19% land acquisition loans, 12% development and 64% first mtg. constr. loans, 19% land acquisition loans, 12% development and land acquisition, 3% standing & second mtgs., 2% foreclosed properties. The foreclosures, an Atlanta apartment and Pasadena, Tex. office building mainly, are cash flow positive and and will be sold. Non-earning loans are another 1.0% of holdings. **Financing:** Funds of \$426.3M are 72% non-convertible debt and 28% capital. GMI sold 600T sh. at \$33.13 in August (gross proceeds \$19.9M) to bolster capital and lower the leverage ratio. Debt, mainly bank loans and commercial paper, is being shifted into cheaper commercial paper currently. **Sponsor:** Charter Co., diversified company in Jacksonville. **Results & outlook:** Rising portfolio yield offset higher money costs in the difficult August quarter. The lower dividend resulted from payment on the new shares. Problem loans have been well controlled and a widening spread should bring some earnings gains. The shares command a below-average P/E and resulting higher yield. (KDC)



Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price Range-
12/72	\$42.5M	11.98%	11.85	\$0.55	\$0.55	\$26.50-20.13
3/73	54.1	12.25	13.14	0.60	0.60	26.50-24.25
6/73	69.8	12.28	14.56	0.66	0.66	25.00-21.00
9/73	80.9	13.51	17.09	0.74	0.74	25.25-22.25

Portfolio dynamics: Investments rose 50% over the past two qtrs., partly in preparation for a proposed share

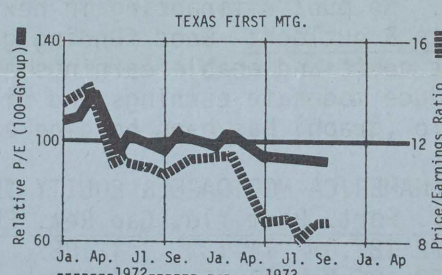


JUSTICE MORTGAGE INV. (CONTINUED)

offering, and commitments indicate continuation of this growth trend. All holdings float with the prime rate, with a floor in most instances. Holdings are all originated by the adviser, which participates some out to other trusts. Investments are 63% first mtg. constr. loans, 27% land acq. & devel., 8% land, 2% second mtgs., and 2% equity investments. No problem loans currently; in nine qtrs. of operation trust has had one foreclosure, an apartment subsequently sold for the \$195T funded amount. Financing: Funds of \$85.6M are 53% non-convertible debt, mainly bank lines, and 47% capital about equally divided between equity and subordinate debt. Bank lines have been expanded but are generally high cost. An offering of 800,000 new shares is pending. Sponsor: Justice Mtg. Co., 39th largest U.S. mtg. banker, specialist in commercial loans, with six offices. Results & outlook: Strong funding gains and good yield have let trust take advantage of leverage and score good earnings and dividend gains. The declining relative P/E ratio (see graph) does not jibe with the good record to date. An NYSE listing expected in December should provide wider recognition of the longer-term investment merit of the shares. (KDC)

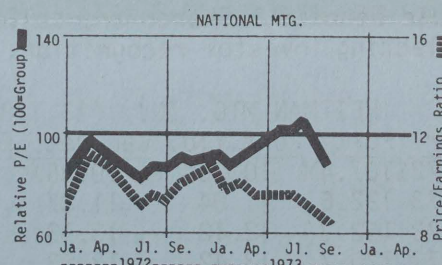
TEXAS FIRST MORTGAGE REIT (18 3/4-OCT-TFMRS) FY June 30							
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS	Prim. Div.	-Price	Range-
12/72	\$45.7M	11.72%	10.29%	\$0.48	\$0.48	\$20.50	18.50
3/73	52.1	11.17	10.95	0.51	0.50	22.25	20.00
6/73	54.7	12.16	11.77	0.54	0.55	20.75	17.00
9/73	55.9	14.03	12.06	0.55	0.56	19.00	17.25

Portfolio dynamics: Fundings increased 7% the last 2 qtr. and mgmt. expects fundings to be level near-term due to substantial repayments and the maximum leveraged position of the trust. Portfolio is 64% constr.; 31% devel.; 3% property acquired thru foreclosure; 2% standing loans. Investments are located in 9 states and Wash. D.C. with heavy concentration in Tex. Some 95% of loans are tied to prime and new loans are being tied to prime. Trust has one problem loan amounting to \$600T which is in foreclosure and mgmt. expects no loss of interest or principal. This loan plus \$1.48M in acquired property amounts to 3.7% of the portfolio. Financing: Trust is funded 70% by non-convertible debt and 30% by capital. Capital of \$19.2M is all equity with 1.06M shares. Debt of \$45.2M is 78% short-term bank loans and 22% commercial paper. Although mgmt. is silent on public financing plans, the fully leveraged position impedes further funding growth and points to some type of financing if growth is to be resumed. Sponsor: First Mtg. Co. of Texas, one of the 25 largest U.S. mtg. bankers. Results & outlook: The significant gain in portfolio yield enabled trust to overcome high debt costs and provide earnings and dividend gains. Projected flat fundings growth may inhibit earnings and dividend gains near term. Shares yield is good but capital appreciation appears limited near term. (VCK)



NATIONAL MORTGAGE FUND (12 1/2-OTC-NMTGS) FY Feb. 28/29							
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS	Prim. Div.	-Price	Range-
11/72	\$52.7M	11.72%	13.44%	\$0.35	\$0.35	\$15.38	13.75
2/73	61.3	11.59	12.77	0.36	0.37	14.88	13.25
5/73	64.9	11.80	13.02	0.36	0.37	14.00	12.13
8/73	71.0	13.40	14.06	0.38	0.37	13.88	12.63

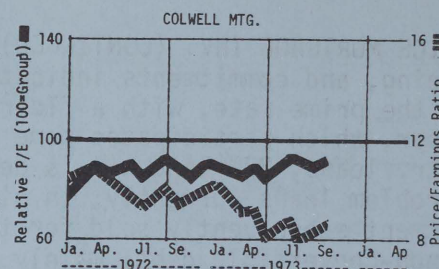
Portfolio dynamics: During the last 6 months fundings grew by 16%. Mgmt. estimates portfolio to be \$100M by Feb. '74, a 41% gain. Investments are 64% constr. 21% land; 15% permanents. Fundings are located in 12 states with concentrations in Fla., Ohio and Ga. Some 87.7% of loans are tied to prime and trust is making new loans tied to the higher of prime or commercial paper. Trust has two problem loans amounting to \$2.78M or 3.9% of portfolio. Financing: Trust is funded 42% by capital and 58% by non-convertible debt. Capital of \$32.9M is 73% equity; 15% senior sub. note; 12% conv't. Debt amounts to \$46.3M with 73% in short-term bank loans and 27% in commercial paper. Sponsor: Citizens Financial Corp. Results & outlook: Good increase in portfolio yield enabled trust to produce modest earnings gains the last two qtrs. Healthy anticipated growth in fundings should produce moderate gains in earnings and dividends. Shares selling at an attractive yield and a premium over book value have moderate appreciation potential. (VCK)



COLWELL MORTGAGE TRUST (28-NYSE-CLM) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS	Prim.	Div.	-Price Range-
12/72	\$109.3M	11.66%	14.90%	\$0.82	\$0.72		\$32.25-28.50
3/73	125.7	11.71	15.81	0.84	0.74		33.75-28.25
6/73	132.8	12.47	15.91	0.86	0.76		31.38-25.88
9/73	152.5	13.76	16.13	0.87	0.80		31.00-24.75

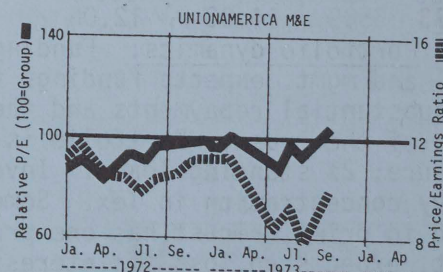
Portfolio dynamics: Investments increased 21% in last 6 mo. and mgmt. expects portfolio to be \$170M by Dec.'73, an 11% gain in next 3 months. Portfolio by project type is 51% apartments; 9% condominiums; 7% each shopping centers, office buildings, hotel/motel; 4% mobile home parks; 2% single family; remainder other. Investments located in 24 states with concentrations in Tex., La. and Okla. Some 91% of loans are tied to prime. Trust has foreclosed on a \$770T loan and there are some other small delinquent loans on which interest is being accrued. The foreclosed loan is 0.5% of portfolio. **Financing:** Trust is funded 56% by non-convertible debt and 44% by capital. Capital of \$70.0M is 61% equity with 2.00M shares; 36% of 8.2% sen. subor. notes. Debt of \$88.5M is 97% short-term bank notes and 3% mtg. No public financing in next six months. **Sponsor:** The Colwell Co., mtg. banker. **Results & outlook:** Good funding gain and improved portfolio yield were able to offset higher debt costs and enable earnings and dividend gains. Similar funding growth near-term should produce moderate earnings and dividend gains. Shares provide a good yield and relative P/E ratio (graph) has been holding even. (VCK)



UNIONAMERICA MORTGAGE & EQUITY TRUST (21 1/4-ASE-UAT) FY Nov. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS	Prim.	Div.	-Price Range-
11/72	\$87.0M	11.13%	12.88%	\$0.61	\$0.58		\$27.50-22.63
2/73	96.5	11.06	13.10	0.62	0.61		27.50-24.63
5/73	104.8	11.61	12.72	0.61	0.61		25.50-19.63
8/73	124.7	12.70	12.30	0.58	0.58		23.00-18.38

Portfolio dynamics: Fundings gained 29% the past six months and mgmt. estimates portfolio to be \$130M by Nov. '73, a 4% gain in next 3 months, and \$160M by May '74, a 28% gain from Aug. Portfolio is 57% constr.; 19% equity; 16% intermediate; 8% devel., long-term, wrap-around, second and other. Investments are located in 21 states with 29% in California. Some 20% of loans are tied to the higher of prime or commercial paper. Trust is completely out of \$5.1M in DeBoer loans and has only one problem loan amounting to \$1.6M, or 1.3% of portfolio. **Financing:** Trust is funded 68% by non-convertible debt and 32% by capital. Capital of \$42.3M is all equity with 2.11M shares. Debt of \$89.0M is 70% commercial paper; 26% short-term bank notes; 4% mtg. Trust is planning a public financing around the end of Feb. '74, maybe convt. debent. **Sponsor:** Unionamerica, Inc., financial services co. **Results & outlook:** High debt costs during the past six months were main cause for drop in earnings and dividends. With improvement in interest rates in recent weeks, earnings and dividends should benefit. Shares are selling at a good yield and relative P/E ratio has been rising, reflecting investor recognition. (VCK)



HEITMAN MTG. INV. (13 1/8-ASE-HTM) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS	Prim.	Div.	-Price Range-
12/72	\$107.4M	10.80%	10.85%	\$0.38	\$0.35		\$15.38-13.13
3/73	122.6	11.04	11.87	0.40	0.37		15.13-12.50
6/73	152.3	12.12	13.13	0.43	0.39		13.88-11.25
9/73	170.7	13.42	13.83	0.47	NR		13.88-11.25

Portfolio dynamics: Funded investments surged 39% the past two qtrs. and the backlog of \$253.7M commitment appears to assure continued gains. Loans are 43% first mtg. constr. 33% intermediate, 14% land devel., 7% short-term, 2 1/2% second mtgs. Problem loans have been well controlled and a \$1M constr. loan (0.6% of holdings) is in default, with collection expected. Trust originates all its new loans. About 90% of loans are geared to prime rate. Trust aims to maximize fee income, which was 9.9% of total income in 9 mon. to Sept. **Financing:** Funds are 73% bank borrowings and 27% capital. Trust is proposing offer of \$30M of floating-rate senior debentures and 1 million shares. **Sponsor:** The Heitman Group, mtg. bankers specializing in originating and servicing constr. loans for institutions. **Results & outlook:** Strong portfolio gains and rising yield allowed earnings gains in Sept. qtr. Management strong but fee policy carries risk. Shares for appreciation, yield. (KDC)

